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THE ADECCO GROUP

# The facts about Brexit

— March 2018 —

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# Transition Agreed

March 2019 saw a major development in the negotiations for Britain to exit the EU as both sides agreed on a transition period that would last for 21 months. On Monday 19<sup>th</sup> March negotiator for the European Commission Michel Barnier and UK Minister for Exiting the EU David Davis announced the period would run from 29<sup>th</sup> March 2019 to 31<sup>st</sup> December 2020.



The UK will no longer participate in EU decision-making processes. It will preserve all the benefits and advantages of the single market, customs union and of European policy, and will be required to respect EU rules.

*Michel Barnier*



## Beyond the length of the period the agreement also covers a number of other important areas:

- EU citizens who arrive during the transition period will be entitled to the same rights as guarantees as those who had arrived beforehand. This will be reciprocated for UK citizens in the EU.
- The UK will be able to begin and conclude its own trade deals during this period.
- At the same time the UK will still be involved in all existing EU trade deals.
- Northern Ireland will remain, in general, within the single market and customs union “*unless and until another solution is found*”.
- The UK will effectively remain part of the Common Fisheries Policy but will have no ability to influence its outcome, although no changes will be made to reduce the UK’s share.

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# Transition Agreed

Despite this agreement it should be remembered that the deal is not a certainty, it still depends on the successful conclusion of Article 50 before March 2019. The issue of the Irish border still hangs over those negotiations and while the EU reduced comments on it in recent weeks they have made clear that they require the situation to be resolved. This agreement essentially creates a fall-back plan for Ireland which creates a border along the Irish Sea, an option that the UK government has already rejected. The British Overseas Territory of Gibraltar faces a similar problem, it is assumed to be included in agreement but on the assumption that Spain does not exercise its veto.

Beyond these two issues the UK and EU will also have to find agreement in the following areas: Judicial and police co-operation, Data sharing, Ownership of nuclear material, Status of protected goods such as champagne and whisky, Free movement of labour.

The issue of free movement of labour will need to be agreed but its related article, 32, was not included in this version of the agreement - having been previously.

One thing that is for certain that the transition period will only be 21 months. There is no mechanism built into the agreement to extend the length beyond that timeframe. This being said there is no reason that the two parties cannot revisit this area in the final stages of talks although an extension is likely to require additional financial compensation to be paid by Britain.

## Areas not covered by the recent transition agreement:



Judicial and police co-operation



Data sharing



Ownership of nuclear material



Status of protected goods such as champagne and whisky



Free movement of labour



Status of Gibraltar

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# Reaction

► **68% of 280  
Chief Executive  
Officers (CEO)  
and Chief Financial  
Officers (CFO)**

would prefer legal certainty on transition by April 2018 with a less ambitious future deal, rather than a more ambitious deal not agreed until much later.

Source: KPMG, March 2018

Not everyone is happy with this agreement – the civil service has already said period is too short to implement all changes.

Scottish politicians demonstrated displeasure, specifically with relation to the agreement on fishing quotas. First minister Nicola Sturgeon called it a ‘*massive sellout*’ and conservative MP Douglas Ross said: “*It would be easier for someone to drink a pint of cold sick than to sell this as a success.*”

Jacob Rees-Mogg, a leading Eurosceptic’ also called the deal ‘*unsatisfactory*’ while pro-Europeans, such as Chuka Umunna, believe Theresa May has capitulated.

According to a KPMG survey released before the agreement was reached 68% of senior leaders would prefer legal certainty of a transition agreed by April 2018 than a more ambitious deal agreed later. With this in mind it is not surprising that many significant business groups welcomed the agreement.

British Chambers of Commerce (BCC) director general Adam Marshall said it was “*sufficient for most businesses to plan ahead with a greater degree of confidence*”. The Confederation of British Industry (CBI) also called it “*a welcome gift*” and “*a victory for common sense*”. The Federation of Small Businesses (FSB) said their community would be relieved. The Institute of Directors (IoD) also approved whilst warning that the more attention needs to be given to finer details and practical implications.

Trade bodies TheCityUK and EEF warned that there is still some way to go.

The BCC had also previously warned that Brexit was being used to cover up existing issues in the UK economy. Adam Marshall warned that growth might be more important than any deal on Brexit in the long term.

# Impact so far

Some businesses could not afford to wait for any agreement or have decided to make changes regardless. The day after the agreement was announced the Chartered Institute of Procurement and Supply (CIPS) reported that one in seven (14%) EU firms with assets in the UK (e.g. offices) had scaled them back. More than one in ten (11%) have moved some of their workforce out of the UK.

“ Some businesses could not afford to wait for any agreement... ”

## Since the EU referendum in June 2016:



14%

of EU firms with assets in the UK (e.g. offices) have scaled them back



11%

of EU firms have reduced their UK workforce

Source: Chartered Institute of Procurement and Supply

# Impact so far

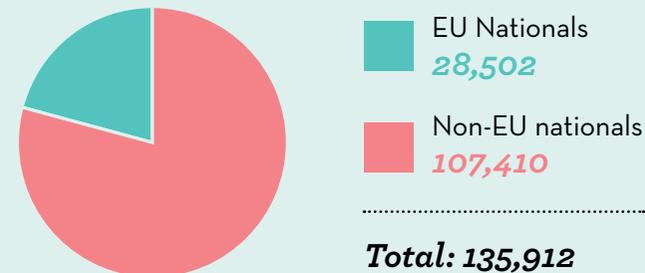
Unilever announced it would move its corporate headquarters from London to Rotterdam - the company has operated dual headquarters in both cities since a 1930 merger. The makers of Dove Soap and Ben & Jerry's ice cream has said the move won't affect its 7,300 UK staff and is actually related its ability to enact and repel takeover bids.

Financial clearing house Euroclear is also moving its headquarters away from the UK capital but their destination is the Belgian capital Brussels. This move comes a month after the company announced plans to establish operations in Dublin.

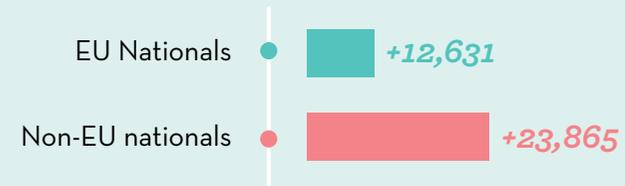
Early in March a memo from Swiss bank UBS was leaked which told employees of the 'decentralized' approach they were taking to relocating staffing following the Brexit vote.

At the same time EU workers in the UK are demonstrating intention to remain within the UK workforce. The number of EU nationals applying for citizenship increased significantly (80%) whilst those from outside the UK fell. While this is an important trend EU nationals still make up less than a quarter of applications.

## Applications for UK Citizenship in 12 months to June 2017:



## Change YoY:



Source: Office for National Statistics, How many people continue their stay in the UK, 24 August 2017

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# EU Withdrawal Bill Progress

After 115 hours of debates the bill has now passed through the committee stage in the upper house without the lords feeling the need to add any official amendments. The bill now moves to the report stage during which there are six days scheduled between 18th April and 8th May.

**While there have been no amendments thus far the Labour party has committed to two during the coming report stage:**

- an amendment which would give Parliament a say in what would happen next, if it rejects the Government's withdrawal agreement with the EU
- an amendment which would prevent "*checks, controls or physical infrastructure of any kind at the border*" between Northern Ireland and the Republic of Ireland.

**Additionally, the Lords questioned a number of areas which the government are likely to have to address or face further amendments:**

- Will retained EU law will continue to have priority over UK law?
- How should UK judges interpret judgements by the European Court of Justice (ECJ) post-Brexit?
- Clarification is required on how the UK will ratify any agreement.
- Scrutiny of delegated powers.
- Will devolved policy areas that currently sit within the EU framework be returned to the devolved governments?
- Removal of a specific date and time for withdrawal for the bill.